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STATE FOR AMBASSADOR MICHALAK AND RPOLLARD  
USTR FOR AUSTR WEISEL

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TAGS: [APEC](#) [ETRD](#) [ECON](#) [EINV](#) [USTR](#) [TBIO](#) [KFLU](#) [SN](#)  
SUBJECT: AMBASSADOR MICHALAK HIGHLIGHTS USG APEC AND ASEAN  
INITIATIVES

¶1. (SBU) Summary. Senior U.S. Official to APEC Ambassador Michael Michalak told Singapore officials that APEC members needed to fulfill certain action items this year in order to keep the momentum going for a Free Trade Area of the Asia Pacific (FTAAP). He also sought their opinions on how to get ASEAN Senior Economic Officials to quickly endorse USG initiatives under the U.S.-ASEAN Enhanced Partnership. Singapore officials cited China's uneasiness with the FTAAP as the reason behind its side meeting with what it hoped would be like-minded Southeast Asian countries during the APEC Senior Officials Meeting (SOM) in Canberra. The GOS said that concluding the ASEAN-China free trade agreement (FTA) was a top priority for ASEAN, ahead of the ASEAN + 3 and ASEAN + 6 negotiations. Ambassador Michalak encouraged ASEAN to stay focused on its own integration in order to compete effectively with its trading partners. End Summary.

¶2. (U) During his January 23-27 visit to Singapore, Ambassador Michael Michalak discussed developments related to his January 15-22 participation in the APEC SOM in Canberra. He also sought opinions about how best to maximize his discussions on the U.S.-ASEAN Enhanced Partnership during the upcoming ASEAN Senior Economic Officials Meeting (SEOM) being held in Kuala Lumpur January 29-31. Office of Bilateral Trade Affairs (EB/TPP/BTA) Director Robert Pollard accompanied Ambassador Michalak for part of his visit. Ambassador Michalak met separately with Ministry of Foreign Affairs (MFA) Deputy Secretary HO Cheok Sun; MFA Director (ASEAN Directorate) Jacky FOO Kong Seng; Ministry of Trade and Industry (MTI) Senior Deputy Director (ASEAN) Ms. Sulaimah Mahmood (also Singapore's SEOM representative for ASEAN); Ministry of Health (MOH) Deputy Secretary GOH Aik Guan and REDI Center Executive Director

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Dr. Rodney Hoff. Ambassador Michalak also gave interviews to the Straits Times and Zaobao (Singapore's largest Chinese language newspaper), met with the American Chamber of Commerce and, over lunch, with Singapore-based academics and business representatives.

FTAAP  
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¶3. (SBU) Ambassador Michalak told GOS officials that, although creation of an FTAAP was a long-term goal, APEC members needed to reach consensus this year on certain

immediate action items in order to keep the momentum from the SOM going; this was especially important to bolster public support for an FTAAP. MTI Deputy Director (APEC and Americas) Mary Elizabeth Chelliah said that a good starting point might be to catalogue and compare the terms and conditions of each APEC members' FTAs.

¶4. (SBU) In considering the possible mechanics for an FTAAP, Ambassador Michalak expressed doubts about a pathfinder approach (whereby certain member economies can accede first to an agreement and others follow when ready) that would rely on APEC's standard consensus methodology. Deputy Director Chelliah suggested an alternative, WTO-based approach in which initial APEC signatories to an FTAAP agreement could dictate the rules of accession for future participants. Key to this process would be China's buy-in as a founding member, she said. Alternatively, the existing text of the P4 "Trans-Pacific Strategic Economic Partnership Agreement" that Brunei, Chile, New Zealand, and Singapore signed in June 2005 could serve as a model, Chelliah said. Each new member would be able to recommend changes and enhancements to the original text, she explained. Ambassador Michalak said that these approaches merited further consideration and called for their inclusion among the FTAAP-related recommendations the APEC SOM had agreed to begin drafting.

#### China's "Anti-FTAAP" Meeting

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¶5. (SBU) Chelliah told Ambassador Michalak that China had organized a meeting on the sidelines of the SOM to discuss its concerns with the FTAAP because it was uncomfortable with being the only economy opposed to the FTAAP and was looking for like-minded supporters. Invitees included Indonesia, Malaysia, the Philippines, Thailand, Brunei, and

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possibly Vietnam (which did not attend). China did not invite Singapore, but GOS representatives managed to "sneak in," she said. During the meeting, China raised concerns about the "exclusiveness" of the FTAAP process and stressed the need for it to feed back into the SOM process. Ambassador Michalak commented that China was concerned about Taiwan's participation in an FTAAP.

#### ASEAN Gives Top Priority to FTA with China

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¶6. (SBU) In response to Ambassador Michalak's skepticism about the prospects for a successful ASEAN + 3 or ASEAN + 6 FTA, MFA Deputy Secretary HO said that an ASEAN + 3 FTA (involving China, Japan, and South Korea) was "doable," with the trade-in-goods chapters already negotiated, but that an ASEAN + 6 FTA was not. Deputy Director Chelliah explained that ASEAN had decided to finish its ASEAN + 1 FTA negotiations before committing more resources to these larger FTAs. Being the furthest along, the ASEAN-China FTA was a top priority; she conceded that the ASEAN-Japan agreement had stalled. Chelliah noted that ASEAN needed to improve its own ASEAN Framework Agreement on Services (AFAS) if it were to build support within the business community for services negotiations with other trading partners.

#### ASEAN Economic Community by 2015?

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¶7. (SBU) Although concluding a series of FTAs factored into the ASEAN leaders' vision of an ASEAN Economic Community by 2015, MFA Director Foo said that some officials questioned why ASEAN was pursuing greater trade liberalization with its trading partners than with other ASEAN members. However, he was confident that the ASEAN Charter's recommendation to adopt a system of binding agreements should help ASEAN move towards full integration.

Ambassador Michalak agreed, noting that economic integration should be ASEAN's top priority to ensure its ability to compete with the United States, China, Japan, and India.

#### APECQASEAN Cooperation

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¶18. (SBU) Ambassador Michalak expressed his hope that the development of a Single Window to facilitate customs harmonization under the ASEAN-US Trade and Investment Arrangement (TIFA) would be expanded to eventually include APEC economies. Similarly, APEC was building on a World Intellectual Property Organization (WIPO) initiative to design a common patent application form that might make sense to start in ASEAN, he said. Ambassador Michalak highlighted other synergies between APEC and ASEAN. Existing collaborative projects such as those on clean energy and a farmer-to-farmer initiative helped maximize limited budget resources, he said. MTI Senior Deputy Director Mahmood agreed that cooperation was good, but advised against overemphasizing ASEAN-APEC linkages since some ASEAN economies were not members of APEC and resisted making official associations between the two organizations.

#### De-conflicting the Enhanced Partnership and TIFA

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¶19. (SBU) Ambassador Michalak told Director Foo that the ASEAN-US Enhanced Partnership, signed in July 2006, was off to a good start, as was cooperation under the TIFA, signed in August 2006. He assured GOS officials that U.S. initiatives under the Enhanced Partnership and under the TIFA were complementary. He noted that some ASEAN officials remained confused about the delineation of responsibilities within the USG, i.e., USTR oversees the TIFA and State leads on the Enhanced Partnership. He stressed, however, that there had been close U.S. interagency coordination in formulating the initiatives. Director Foo explained that, while the ASEAN SEOM was accustomed to dealing with USTR, it also handled a broad range of economic issues and that this might have resulted in some misunderstandings.

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¶10. (SBU) Director Pollard thanked Director Foo for Singapore's remarks on the draft Plan of Action (POA) under the Enhanced Partnership. He noted that this year's thirtieth anniversary of U.S.-ASEAN relations provided a unique opportunity to make substantive progress on the Enhanced Partnership. Director Foo agreed that both sides needed to redouble their efforts and suggested that ASEAN and the USG package various POA initiatives under specific headings to help guide their implementation. He cited the "Improving the Overall Business Environment" theme adopted by the ASEAN Standards Committee (ASC) as an example. Foo said that he was Singapore's point of contact for the POA and that as a member of the ASC, he would ensure that action items got passed to the appropriate ASEAN offices.

#### SEOM's Formal Commitment "Unlikely"

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¶11. (SBU) Pollard asked if it would be possible for the USG to obtain a formal commitment on specific Enhanced Partnership programs from the SEOM during its Kuala Lumpur meetings. Foo said that this was unlikely. Senior Deputy Director Mahmood thought that the SEOM might be willing to provide an endorsement in principle. Although it was best to make proposals before the beginning of a SEOM-year, Mahmood explained that discussions were underway to stagger the timing of project-related meetings in order to allow greater flexibility in prioritizing objectives. She expressed confidence that progress would be made on the four proposals to be presented at the SEOM relating to

standards, business facilitation, IPR, and transportation. In addition to action plans under the TIFA and the POA, the SEOM would also consider deliverables in support of ASEAN integration, she said.

#### REDI Center and Avian Influenza

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¶12. (SBU) In a joint meeting with MOH Deputy Secretary Goh and REDI Center Executive Director Hoff, Ambassador Michalak said that APEC played a positive and useful role in combating a possible Avian Influenza pandemic. Ambassador Michalak said that Asia was far ahead of other parts of the world in terms of AI preparedness, recent outbreaks in Japan and South Korea notwithstanding, and cited APEC economies' participation in the International Partnership on Avian and Pandemic Influenza (IPAPI) as evidence.

¶13. (SBU) Dr. Hoff told Ambassador Michalak that with increased funding from the USG and the GOS, REDI was hiring additional staff to beef up its training and support activities. In particular, REDI would be able to strengthen its participation in the U.S.-Singapore-Indonesia trilateral project to create an AI-free zone in Indonesia's Tangerang district, he said. Deputy Secretary Goh noted that REDI's international organization status allowed it to fund activities that would be more difficult to accomplish on a government-to-government basis. Ambassador Michalak encouraged Goh and Hoff to consider approaching organizations like the Gates Foundation to diversify REDI's sources of funding and to enhance its overall competitiveness for grants.

¶14. (SBU) Ambassador Michalak asked Deputy Secretary Goh for a status report on Singapore's obligation under our bilateral REDI Agreement (signed November 22, 2005) to establish an accession mechanism for other APEC economies. Deputy Secretary Goh claimed that REDI's Executive Board was not anxious to begin this process. It preferred to give REDI more time to establish a track record as an organization jointly funded and operated by the United States and Singapore. He highlighted the risk of politicizing REDI, noting that Taiwan had been the first economy to inquire about participation. (Note: Although not a formal APEC institution, REDI's creation was announced on the sidelines of the 2003 APEC Leaders' Meeting by President Bush and Singapore's Prime Minister Goh Chok Tong. APEC served as the model for REDI's international organization structure. End note.)

¶15. (U) Ambassador Michalak and Robert Pollard cleared

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this cable.